

Message Text

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C O N F I D E N T I A L PHNOM PENH 2334

AIDAC

SUBJ: IMF REACTION TO MODIFICATIONS IN GKR ECONOMIC POLICY

REF: STATE 47104

1. TOMASSON'S COMMENTS ON EVERS' REPORTED VIEWS SOUND MORE LIKE TOMASSON THAN EVERS. THE QUESTION OF REPLACEMENT OF THE ESF BY SOME OTHER DEVICE HAS NOT TO OUR KNOWLEDGE BEEN RAISED BY ANYONE IN PHNOM PENH, CERTAINLY NOT BY US. OVER THE LAST SEVERAL WEEKS WHEN THE ISSUE OF " LIBERALIZATION" OF THE ECONOMY HAS BEEN VERY PROMINENT IN CRITICISM DIRECTED AT THE GOVERNMENT BY STUDENTS AND TEACHERS, WE HAVE STATED REPEATEDLY TO KHMER WITH WHOM WE HAVE CONTACT, THAT THE ESF/ NOUVEAU MARCHE IS THE ONE SIGNIFICANT ECONOMIC SUCCESS THE GKR CAN POINT TO DURING THE LAST YEAR AND A HALF.

2. THE ONLY CONCEIVABLE BASIS FOR THE STATEMENT WOULD BE OUR INCIDENTAL ARGUMENT TO HING KUNTHEL THAT PROHIBITION OF FINANCING OF AUTOMOBILES WOULD RELIEVE SOME PRESSURE ON ESF RESOURCES, A VIEW SHARED BY OTHER MEMBERS OF THE WORKING GROUP, PARTICULARLY THE AUSTRALIANS.

3. ONE OF THE MAJOR PURPOSES IN SUGGESTING TO THE BNC THAT IT UP ITS FINANCING OF THE NOUVEAU MARCHE WHEN IT REOPENS IS TO ASSURE THAT IT WILL BE ADEQUATELY FUNDED FOR APPROXIMATELY A MONTH, IN THE ABSENCE OF RECEIPT OF FRESH CONTRIBUTIONS TO THE ESF. IN FACT, ABOUT A WEEK AGO IN RESPONSE TO A DIRECT QUESTION FROM HING KUNTHEL, WEDEMAN SAID EMPHATICALLY THAT THE NOUVEAU MARCHE
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SHOULD NOT BE CLOSED. HE DID STATE (AND THIS IS THE POSITION OF EVERS AS WELL) THAT NATURALLY WE WOULD UNDERSTAND THAT THE MARKET WOULD NOT BE OPEN SO LONG AS THE INTERNATIONAL MARKETS REMAINED CLOSED.

4. OBVIOUSLY THE NOUVEAU MARCHE WOULD HAVE TO BE CLOSED IF NO NEW CONTRIBUTIONS WERE RECEIVED AND THE BNC FELT IT COULD COMMIT NO ADDITIONAL RESERVES BEYOND THE \$2.0 MILLION NOW ASSURED, BUT THIS POINT HAS NOT BEEN REACHED.

5. THE CABINET HAS NOW TAKEN A DECISION TO PROHIBIT THE IMPORTAZSSV M WTON OF ALL PASSENGER CARS; BEER, WINE, CHAMPAGNE AND SPIRITS; LUXURY FOODS; FRUITS (APPLES AND PEARS ARE PROMINENT IMPORTS FROM TAIWAN); COSMETICS AND JEWELRY. THIS WAS DISCUSSED EXETNSIVELY AT THE REGULAR MEETING OF THE ESF WORKING GROUP ON MARCH 14. WHILE EVERS INDICATED HIS DISAGREEMENT, BOTH WE AND THE AUSTRALIANS SUPPORTED THE ACTION OF THE CABINET, NOTING THAT THE MOVE WAS PROMPTED BY POLITICAL RATHER THAN ECONOMIC CONSIDERATIONS. THE GKR HAS NOT DECIDED YET WHEN TO PUT THIS DECISION INTO EFFECT, AND THE TIMING IS PROBABLY LINKED TO THE RESOLUTION OF THE TEACHERS' STRIKE. GDS.
SWANK

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